

California Lottery®



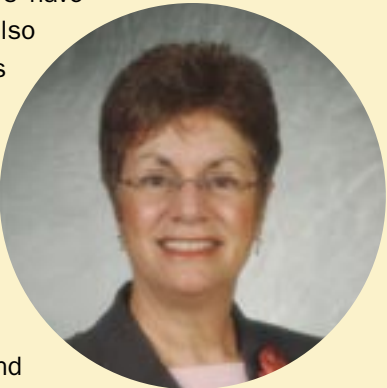
www.calottery.com

Fiscal Year 2004/2005 California Lottery® Report to the Public

DEAR CALIFORNIANS

The California State Lottery is pleased to provide the 2004/2005 Annual Report to the Public. This year the Lottery celebrated its 20th year of providing lottery products to Californians and supplemental funding to public schools.

During the past 20 years, the California State Lottery has truly made its mark on California as more than 1,800 Lottery players have become millionaires. The California State Lottery has also made a difference in profits for more than 18,500 retailers and, most importantly, has provided supplementary funding for our beneficiaries—the state's 8,341,561 public school students enrolled in kindergarten through the University of California.



Thanks to record-breaking sales, this year also marked the fifth consecutive year the Lottery has provided more than one billion dollars to California's public schools. As you will discover inside, consumers and retailers of Lottery products benefited as well.

The California State Lottery's banner year was due, in large part, to new games that were introduced to the already successful lineup. One such game was the *Star Wars* Scratchers®. It was released in conjunction with the highly anticipated film *Star Wars: Episode III – Revenge of the Sith*, and contributed mightily to the Lottery's ticket sales.

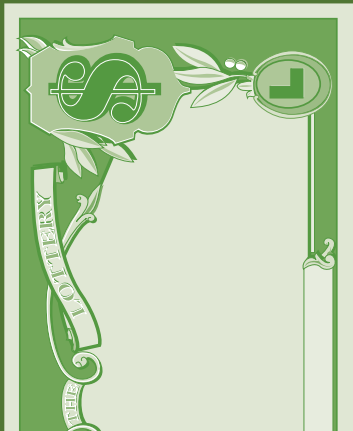
After carefully researching the success of other lotteries, the California State Lottery joined 11 other states and introduced MEGA Millions® in California on June 22, 2005. California's \$2.4 million in sales shattered the record for first-day ticket sales of MEGA Millions® tickets. Only five months after introducing MEGA Millions®, Californians claimed the largest jackpot in California State Lottery history as seven winners from Anaheim shared the record-setting \$315 million prize.

Thanks to the participation and support of Lottery players, retailers, and business partners, the Lottery's 20th year was the most successful yet. The members of the Lottery Commission and the Lottery's dedicated workforce look forward to building upon this success and will continue maximizing Lottery revenue in support of California's public education for years to come.

A handwritten signature in purple ink, appearing to read "Melissa Anderson".

Chief Deputy Director
California State Lottery

HOW YOUR LOTTERY DOLLAR IS SPENT



53.86¢ prizes awarded to winners



34.13¢ contributions to public education



7.0¢ retailer bonuses & commissions



3.31¢ operating expenses



1.70¢ game costs

The California State Lottery implements the public's mandate to provide supplemental funds for public education by maximizing the sale of creative and entertaining lottery products. Your support and tax dollars are necessary to operate our public schools. (Graphic represents actual allocation of revenue for fiscal year 2004/2005.)

FINANCIAL HIGHLIGHTS

| | FY 2004/2005* | 20 YEARS |
|---------------------------------------------------------|------------------|-------------------|
| SALES | | |
| Scratchers* | \$ 1,736,788,110 | \$ 17,997,739,095 |
| Lotto (includes both SuperLOTTO Plus® & MEGA Millions®) | \$ 1,109,931,087 | \$ 21,407,858,951 |
| Fantasy 5 | \$ 160,764,360 | \$ 2,144,894,478 |
| Daily 3 | \$ 136,158,762 | \$ 1,118,504,237 |
| Hot Spot® | \$ 174,296,572 | \$ 3,256,898,870 |
| Daily Derby® | \$ 15,681,778 | \$ 421,089,422 |
| Total Sales | \$ 3,333,620,669 | \$ 46,346,985,053 |

| | | |
|---------------|------------------|-------------------|
| PRIZE EXPENSE | \$ 1,795,254,439 | \$ 23,670,835,459 |
|---------------|------------------|-------------------|

| | | |
|-------------------------------|----------------|------------------|
| ADMINISTRATIVE EXPENSES | | |
| Retailer Compensation | \$ 233,447,844 | \$ 2,959,578,365 |
| Direct Costs | \$ 58,310,241 | \$ 1,180,009,718 |
| Operating Expenses | \$ 110,246,897 | \$ 2,292,433,042 |
| Total Administrative Expenses | \$ 400,439,862 | \$ 6,432,021,125 |

| | | |
|------------------------------|------------------|-------------------|
| REVENUES TO EDUCATION | | |
| Legal Minimum (34% of Sales) | \$ 1,133,431,027 | \$ 15,757,974,917 |
| Interest Income | \$ 9,877,245 | \$ 339,496,314 |
| Administrative Savings | \$ 4,495,341 | \$ 486,153,559 |
| Unclaimed Prizes | \$ 27,019,168 | \$ 580,750,411 |
| Other Income | \$ 971,475 | \$ 5,617,934 |
| Total to Education | \$ 1,175,794,256 | \$ 17,169,993,135 |

*As required by law, each year an independent accounting firm audits the California State Lottery's financial statements. KPMG LLP conducted an independent audit of the Lottery's annual financial statements and issued an unqualified opinion on those statements as of and for the fiscal year ending June 30, 2005. The State Controller's Office and other independent accounting firms also audit various aspects of the Lottery's operations. For a copy of the audited financial statements, contact the Public Relations/Communications Office, California State Lottery, 600 North 10th Street, Sacramento, CA 95814.

For comprehensive financial information about the California State Lottery, log on to www.calottery.com.

EDUCATION

RETIRED TEACHER HONORED AS A HERO IN EDUCATION

On January 22, 2005, Sylvia Huntington, a retired school teacher from Hanford, was presented with the California State Lottery's "Heroes in Education" award on "The Big Spin®" show.

For years, Ms. Huntington has been helping underprivileged students at Gardenside Elementary School in Hanford. She initiated an all-volunteer tutoring team, whose members visit Gardenside's students once a week, after school, for "one-on-one" tutoring. Throughout the week, Ms. Huntington stays in contact with teachers and administrators to find out which subjects and skills each student needs extra help with. This gives Ms. Huntington and her team of 15 volunteers the opportunity to prepare for the tutoring sessions, maximizing their time with the students.

On hand to honor Ms. Huntington was actress Barbara Eden who starred in numerous television shows including *How To Marry A Millionaire*, *Harper Valley PTA*, *Dallas* and played the beautiful genie in a bottle on the classic television sitcom *I Dream of Jeannie*.



Barbara Eden (right) presents Sylvia Huntington with the "Heroes in Education" award.



Mark Hamill (right) presents the "Heroes in Education" award to Alfred Rowlett of the National Visiting Teachers Association.

TEACHERS ASSOCIATION HONORED AS HEROES IN EDUCATION

On April 16, 2005, the National Visiting Teachers Association (NVTa), a group of retired school teachers and administrators from Sacramento, was presented with the California State Lottery's "Heroes in Education" award on "The Big Spin®" show. Accepting the award on behalf of NVTa was one of their members, Alfred Rowlett. For 15 years, the members of NVTa have been volunteering in the Sacramento area, working with at-risk students from low-income families. The group's mission is to empower parents to take a more active role in educating their children.

NVTa volunteers make house calls to help families work together to create a nurturing academic environment at home.

Furthermore, these volunteers read to the blind and tutor students with learning disabilities. They also provide child care for young parents trying to finish school while at the same time giving vocational training to students hoping to start new careers.

Movie star Mark Hamill was on hand to honor the National Visiting Teachers Association. Hamill played Luke Skywalker in *Star Wars*, *The Empire Strikes Back* and *Return of the Jedi*.

EXCEPTIONAL EDUCATOR

On Saturday, May 7, 2005 Ken Elisalde of Norwalk received the California State Lottery's "Exceptional Educator" award on "The Big Spin®" show from Assemblymember Rudy Bermudez.

In 1996, Elisalde decided to become a teacher because he felt that teaching was how he could make the most positive impact on society. As a third grade teacher at Sanchez Elementary School in Norwalk, Elisalde puts into action his philosophy of teaching with both his heart and his mind. With his mind, he approaches teaching in a scientific manner enabling him to assess in a measurable way. With his heart, he's able to understand the depths of the needs of each student and implement an effective lesson plan to meet those individual needs.

The California State Lottery's "Exceptional Educator" award has been presented on "The Big Spin®" show since April of 2001. The Lottery enlists legislators and state officials to present these awards which recognize outstanding teachers whose extraordinary efforts help California students succeed.



EDUCATION

THE CALIFORNIA STATE LOTTERY GENERATES OVER \$1 BILLION A YEAR FOR PUBLIC SCHOOLS IN CALIFORNIA

The California State Lottery was created to generate supplemental funding for our public schools in 1985. Since then the Lottery has contributed \$17 billion to public education. The Commissioners and staff of the California State Lottery have supported this effort by providing \$1 billion in supplemental funds for education — five years in a row!

LOTTERY FUNDS AT WORK

What do schools do with the money they receive from the California State Lottery? Here are just a few examples:

Rohnerville School District – Fortuna uses Lottery funds to implement music, art, and technology programs.

Edward A. Sussman Middle School – Downey purchases calculators and presentation screens for classrooms with Lottery funds.

Paso Robles Joint Unified School District – Paso Robles uses Lottery funds to pay school counselors and physical education aides.

Fairview Developmental Center – Costa Mesa uses Lottery funds to purchase classroom technology and pay for field trips to provide developmentally disabled students with beneficial activities.

Norris School District – Bakersfield (Central Valley) buys instructional materials and school supplies with Lottery funds.

American Indian Public Charter School – Oakland uses Lottery funds to provide academic enrichment programs to students creating one of the top ranked middle schools in the nation.

Golden Valley Charter School – Citrus Heights purchases high quality art supplies to support their fine arts programs with Lottery funds.

CONTRIBUTIONS TO EDUCATION – COUNTY TOTALS FOR FISCAL YEAR 04/05

| County | Total 04/05 | Cumulative Total |
|-----------------|-------------------|---------------------|
| Alameda | \$ 39,597,515.13 | \$ 615,663,456.89 |
| Alpine | \$ 31,166.38 | \$ 508,742.92 |
| Amador | \$ 683,136.78 | \$ 11,097,290.39 |
| Butte | \$ 6,571,778.40 | \$ 101,967,739.50 |
| Calaveras | \$ 1,009,204.18 | \$ 16,303,270.42 |
| Colusa | \$ 625,033.19 | \$ 9,594,753.84 |
| Contra Costa | \$ 29,430,462.71 | \$ 430,336,938.27 |
| Del Norte | \$ 824,965.72 | \$ 11,445,074.61 |
| El Dorado | \$ 4,514,743.96 | \$ 68,314,564.13 |
| Fresno | \$ 32,297,727.53 | \$ 465,534,713.28 |
| Glenn | \$ 932,608.61 | \$ 14,954,513.08 |
| Humboldt | \$ 3,811,590.05 | \$ 67,144,347.47 |
| Imperial | \$ 6,042,166.37 | \$ 88,202,031.96 |
| Inyo | \$ 492,277.04 | \$ 8,839,228.68 |
| Kern | \$ 27,128,769.28 | \$ 368,498,334.15 |
| Kings | \$ 3,992,036.31 | \$ 57,950,271.17 |
| Lake | \$ 1,492,618.80 | \$ 23,166,043.40 |
| Lassen | \$ 1,162,334.29 | \$ 19,231,160.15 |
| Los Angeles | \$ 310,498,505.37 | \$ 4,579,270,194.37 |
| Madera | \$ 4,102,288.75 | \$ 56,853,915.19 |
| Marin | \$ 4,941,616.65 | \$ 84,683,857.89 |
| Mariposa | \$ 336,693.36 | \$ 6,058,482.54 |
| Mendocino | \$ 2,584,892.20 | \$ 45,897,458.78 |
| Merced | \$ 9,347,981.21 | \$ 133,723,187.47 |
| Modoc | \$ 337,249.18 | \$ 5,379,927.40 |
| Mono | \$ 324,323.89 | \$ 4,417,217.49 |
| Monterey | \$ 13,380,681.78 | \$ 201,037,681.93 |
| Napa | \$ 3,814,392.22 | \$ 57,671,243.39 |
| Nevada | \$ 2,113,526.86 | \$ 31,335,359.08 |
| Orange | \$ 93,202,989.74 | \$ 1,335,525,843.15 |
| Placer | \$ 11,182,742.44 | \$ 135,163,135.76 |
| Plumas | \$ 645,876.75 | \$ 11,275,172.34 |
| Riverside | \$ 60,456,585.82 | \$ 718,710,297.02 |
| Sacramento | \$ 42,550,221.35 | \$ 590,323,434.32 |
| San Benito | \$ 1,638,721.17 | \$ 22,430,654.34 |
| San Bernardino | \$ 66,506,890.93 | \$ 881,179,512.11 |
| San Diego | \$ 87,505,395.21 | \$ 1,299,491,662.64 |
| San Francisco | \$ 13,526,492.67 | \$ 234,725,177.74 |
| San Joaquin | \$ 22,002,619.69 | \$ 298,086,285.50 |
| San Luis Obispo | \$ 6,671,685.79 | \$ 99,035,710.61 |
| San Mateo | \$ 16,201,445.96 | \$ 263,155,849.52 |
| Santa Barbara | \$ 13,436,946.53 | \$ 193,507,182.22 |
| Santa Clara | \$ 49,145,084.35 | \$ 768,935,445.64 |
| Santa Cruz | \$ 7,535,303.24 | \$ 118,442,529.50 |
| Shasta | \$ 5,229,622.13 | \$ 87,560,654.15 |
| Sierra | \$ 90,064.87 | \$ 2,675,394.91 |
| Siskiyou | \$ 1,321,348.26 | \$ 24,863,223.41 |
| Solano | \$ 11,829,856.01 | \$ 181,840,299.55 |
| Sonoma | \$ 13,512,029.22 | \$ 206,519,909.53 |
| Stanislaus | \$ 17,772,331.96 | \$ 245,352,807.06 |
| Sutter | \$ 2,654,307.06 | \$ 37,252,174.08 |
| Tehama | \$ 1,620,381.87 | \$ 25,538,363.43 |
| Trinity | \$ 307,817.82 | \$ 5,908,801.26 |
| Tulare | \$ 15,006,163.96 | \$ 219,806,782.92 |
| Tuolumne | \$ 1,080,741.03 | \$ 18,500,838.85 |
| Ventura | \$ 25,434,928.32 | \$ 372,386,285.94 |
| Yolo | \$ 4,301,787.18 | \$ 61,248,841.29 |
| Yuba | \$ 2,998,297.52 | \$ 48,628,992.82 |

HOW TO ACCESS THE CALIFORNIA STATE LOTTERY'S CONTRIBUTIONS TO EDUCATION FOR YOUR COUNTY ON OUR WEBSITE:

1

Go to **calottery.com** and click on **Supporting Education**

2

Click on the **Fulfilling Our Mission to California Education** box

3

Click on the **How Much Money?** subhead

4

Select **county** and type your **county's name** in the box provided

5



WINNERS



Rolando and Norma Gipulan won \$44 million on June 8, 2005 after purchasing five SuperLOTTO Plus® Quick Pick® tickets.

HIGHLAND COUPLE WINS \$44 MILLION

It was one of the luckiest days in his life. On Wednesday, June 8, 2005, with the SuperLOTTO Plus® jackpot at \$44 million, Rolando Gipulan and his wife Norma matched all the winning numbers 40, 21, 45, 34, 24, and the Mega number 26. But they didn't know it. In fact, on Thursday night when Rolando came home from work, he still had not checked his ticket. When his wife, Norma, called from work and told him that the winning ticket was sold at the store where he had purchased five SuperLOTTO Plus® Quick Pick® tickets, Rolando finally discovered his good fortune.

Rolando is a sales representative at Bankers Reality and his wife, Norma, is a psychiatric technician at Patton State Hospital. Living in Highland, California, the Gipulans have no children but are adopting a 4-year-old girl from the Philippines. Rolando Gipulan chose to collect his prize money upfront, and the total was approximately \$25.6 million before federal withholding taxes.

The Gipulans hadn't decided how they were going to spend their new fortune but they had some ideas. They said they wanted to build a chapel in their homeland, the Philippines, donate to charities, and buy a new car. "I don't want a Rolls Royce," said Rolando. "A Lexus will do just fine."

TIRELESS CHILD ADVOCATES WIN \$27 MILLION PLAYING SUPERLOTTO PLUS®

It was only the second time that Debi and Steve Cifelli played SuperLOTTO Plus®, but on December 1, 2004 they won \$27 million. The Cifelli's story touched the hearts of millions of people across the nation and around the world. "While coming back from a conference near Palm Springs, I had a sudden feeling, an intuition... that we should play. So we put down \$20," Steve said smiling. "I'm sure glad that we did."

Married just a little more than a year when they won, Debi and Steve's lives have been spent in service to others. Steve is a retired middle school counselor and currently teaches at the University of the Redwoods. Debi is the founder of the "Garden of Angels" (a program that funds burials for unidentified infants). Debi had another possible explanation for the win. "I believe in a higher power that makes things happen. I have a lot of faith in God. I think that we all have guardian angels watching over us," said Debi. "Maybe we won the lottery because it was the children's way of saying thank you for taking care of them when nobody else would."

Now that they have won \$27 million, the Cifellis plan to relax and help their families with their winnings. Most importantly they have created a foundation that gives scholarships in honor of each of the babies in the Garden of Angels.



Steve and Debi Cifelli played SuperLOTTO Plus® on December 1, 2004 and won \$27 million.

CALIFORNIA'S FIRST MEGA MILLIONS JACKPOT WINNERS – "THE LUCKY 7"

On November 15, 2005, just five months after launching MEGA Millions®, news went out that California had its first MEGA Millions jackpot winner! This was no ordinary jackpot. In fact, at \$315 million, it was the largest jackpot in the history of the California State Lottery. Adding to the excitement of this historic event, the record setting prize was claimed by seven winners, "The Lucky 7," as they have come to be known.

"The Lucky 7," Jennifer Habib, Kate Lynn Juergens, Joyce Onori, Brenda Heller, Mariza Cuya, Kathy Jones and Bob Guerzon, all worked together at a medical center in Garden Grove. The group of six lab technicians and one receptionist chipped in \$3 each and decided since the jackpot was so big, they would buy MEGA Millions tickets for the first time ever. Prior to their monumental win, they had never had a winning ticket and they even considered not playing any more. They are now very glad that they chose to test "Lady Luck" one more time.

After three days of anonymity, "The Lucky 7" finally emerged to claim their prize in Santa Fe Springs on November 18th. "We just wanted to stay out of the limelight so we could get our thoughts together," said Kate Juergens, a member of the group. Sounds like an excellent idea, especially considering that for these seven, their lives would never be the same again.

Deciding to take the cash payment option, which amounted to \$180 million, each of "The Lucky 7" received \$25 million before taxes. All in all, theirs was not a bad \$3 investment for each. As for what they will do with the money, the seven had plans to help family members, take some trips, buy a luxurious gift or two, and buy new homes.

"The Lucky 7" were not the only winners on November 15th. For selling the winning ticket, Rainbow Water, Juice, Flower, and Gift in Anaheim received a retailer bonus of \$1,000,000.



California kicked off MEGA Millions® with a Mega event at the State Capitol.

WINNING IS A FAMILY AFFAIR AT "THE BIG SPIN®" SHOW

Eleanor, Ben and Christina Andreoli are definitely a lucky family! It all started in 1998 when Eleanor Andreoli, from Foster City, purchased \$5 worth of Fantasy 5 plays on one playslip and mailed her entry form to the Lottery. Her name was drawn and Eleanor went to Hollywood to appear on "The Big Spin®" show where she played the "Fantasy 5 Dream Machine." Eleanor took home a \$60,000 prize. Just one year later, her daughter Christina, who lives in Burlingame, also won a chance to appear on "The Big Spin®" to play the "Fantasy 5 Dream Machine." Christina won \$95,000.



But the family's good luck didn't stop there. On June 12, 2005, Ben Andreoli, the husband and father in this lucky trio, appeared on the show to play the "Dream Machine" and won \$25,000. "It's all plain luck," said the retired truck driver. Ben and Eleanor Andreoli are saving their winnings and plan to give it to their grandchildren. Part of Christina's winnings paid off student loans and she invested the rest in the stock market.



GAME HIGHLIGHTS

CALIFORNIA STATE LOTTERY GAMES

Super LOTTO PLUS®

A chance to win millions of dollars with jackpots from \$7 million to \$100 million and up. Pick five numbers from 1 to 47 and one MEGA number from 1 to 27. Nine ways to win. Drawings are held each Wednesday and Saturday.



Jackpot prizes start at \$12 million and have reached as high as \$315 million since California joined in 2005. Players select five numbers from a field of 1 through 56 and one MEGA number from a field of 1 through 46. There are nine prize categories and second prizes have reached one million. MEGA Millions is the largest multi-state lottery game in North America.

Scratchers®

Players can choose from a variety of different Scratchers® games with different themes, playstyles and prize amounts.



American Idol Carrie Underwood with MEGA Millions Announcer Glenn Burns.

MEGA MILLIONS®

On June 24, 2005, the televised MEGA Millions® draw had special meaning for viewers in California. Held at the Paramount Studios in Hollywood, it marked the first time players could win a MEGA Millions® prize on a ticket they purchased in California.

This star-studded event occurred just days after MEGA Millions® was launched in the Golden State. American Idol Carrie Underwood helped announce the winning numbers during the live television broadcast.

MEGA Millions® fever swept through the state on the first day of sales as tickets became available at more than 18,500 California State Lottery retail outlets. Until that day, New York held the state record for first-day sales with an impressive \$1.7 million. California topped that with a whopping \$2.4 million.

MEGA Millions® arrived in California after two years of careful research, analysis, and discussions. In early February 2005, California State Lottery management recommended and received approval from the Lottery Commission to join MEGA Millions® and immediately put the wheels in motion to introduce the game to California.

THE NEXT MILLIONAIRE

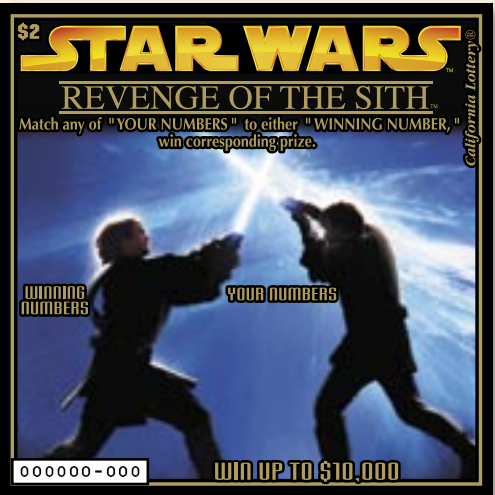
To help celebrate the California State Lottery's 20th Anniversary, a new and exciting Scratchers® game was unveiled. Featuring a distinctive top prize of one million dollars, it created excitement at retailers throughout the state.

As the Lottery's latest \$5 game, The Next Millionaire Scratchers® utilized a proven game design, with the added major benefit of winning \$1,000,000 instantly, or in a second chance drawing. Fifteen lucky Californians stand to win \$1,000,000 instantly and another five will become millionaires as the result of sending in tickets or registering on the Lottery website for a second chance draw. The Next Millionaire game was an instant hit for the California State Lottery.



STAR WARS SCRATCHERS®

With Yoda, Obi-Wan Kenobi and Luke Skywalker representing the Jedi, and Darth Vader, Emperor Palpatine and Darth Maul representing the Sith, *Star Wars* arrived on California State Lottery Scratchers®. Delivery of the game was timed to coincide with the arrival of one of the most anticipated theatrical releases in history, *Star Wars: Episode III – Revenge of the Sith*. Californians were the first in the nation to try their luck with a *Star Wars* themed instant ticket. The tickets depicted the epic battle



between the Sith and the Jedi as well as the forbidden love between Anakin Skywalker and Padmé.

The *Star Wars* Scratchers® were released statewide in April along with *Star Wars* collector coin sets that retailers gave as gifts to players as part of a California State Lottery promotion.

CALIFORNIA STATE LOTTERY GAMES

Fantasy 5

The better odds lotto game. Players match 5 out of 39 numbers for a top prize ranging from \$50,000 to \$500,000 or more. Winning numbers are drawn daily.



Players choose the amount and odds they want to play, by picking 2, 3, 4, 5, or 8 numbers from a field of 80. Draws occur every five minutes.



Players pick their favorite horses and the winning race time, for a chance to win a grand prize worth thousands of dollars. Draws are held daily.

DAILY 3

Players select three numbers from a field of 0 to 9, then choose a playstyle: Straight, Box or Straight/Box. Winning numbers are drawn twice daily.



The California State Lottery 2005 Retailer of the Year is Allan's Market Wine & Lotto in Port Hueneme. Lottery Sales Director Tricia Metzger (left) and Acting Director Melissa Meith (right) presented the award to owners Touny Asaad and Nick Asaad.

RETAILER OF THE YEAR 2005

The California State Lottery 2005 Retailer of the Year is Allan's Market Wine & Lotto in Port Hueneme. Touny Asaad purchased the store in February of 2002. His brother Nick manages the store and had this to say about winning Retailer of the Year, "When you work so long for something and you finally get it, it's wonderful!"

It's easy to see what Nick means by "working" to earn Retailer of the Year when you go to Allan's. The two front windows are painted with the MEGA Millions® logo on one and "Retailer of the Year" on the other. Inside, it's a clean, friendly atmosphere with tables, chairs, five playcenters below the Hot Spot monitor and a large television on which they play a recording of a local newscast about Allan's being a Lucky Lottery store. There are several over-sized checks on the wall announcing six previous multi-million dollar winners.

Allan's is also a business that contributes generously to the community by giving money and products to the Boys and Girls Clubs in the

area. They donate to local church groups and police-sponsored youth programs in Port Hueneme. Hard work, customer service and community involvement lead to success as evidenced by the fact that Allan's Market averages more than \$58,000 a week in Lottery sales. Since Touny bought the store in 2002, his Lottery sales have resulted in more than \$2.6 million being given to public education.



THERE'S A "NEW LOOK" FOR AUTHORIZED RETAILERS USING THE CALIFORNIA STATE LOTTERY'S RETAILER WEBSITE!

The implementation of the website as a business tool for the California retailer community focused on the latest web-design technology. In early May 2005, the California State Lottery rolled-out its newest "look and feel" enhancement for its retailer website. Lottery retailers use the website to download such information as sales, commission, and accounting data. Now the Retailer Website provides the latest sales promotion information, top selling retailer information, as well as Lottery District Office information.

RETAILER ADVISORY BOARD

The California State Lottery established the Retailer Advisory Board to gain a "retailer's perspective" of its games, promotions and programs. The Lottery has more than 18,500 retailers spread throughout California and relies on the Board to be its eyes and ears in a complex marketplace. The Board has been in existence since 1990 and consists of independent retailers, corporate retailers and trade association representatives. The membership is comprised of 10 to 12 members from different retailer trade styles that make up the Lottery's retail network. The Board members are invited to participate based on many factors, including recommendations from the Lottery's District Office Sales Managers. The Board advises the Lottery on proposed policies and processes and provides input on product and marketing programs. Not only does the Board provide invaluable information to the Lottery, it helps the Lottery to understand how its programs affect retailers in the marketplace.

As an integral part of the Lottery's decision-making process, the members of the Retailer Advisory Board meet bi-monthly to discuss new programs and other related issues providing input to the Lottery. "I find their perspective offers us the ability to introduce new programs while avoiding potential pitfalls in the sales arena," said Tricia Metzger, Director of Sales with the Lottery. "As successful corporate and small business owners in our diverse marketplace, they provide invaluable information that helps us make solid decisions about our programs." Marketing programs and sales updates are regularly presented. These updates include overviews of the Lottery's advertising for television and radio in order to garner comments and suggestions from the Board prior to airing. This valuable partnership allows for discussion and resolution of mutual issues and therefore furthers the Lottery's mission of maximizing revenues to California's public schools.

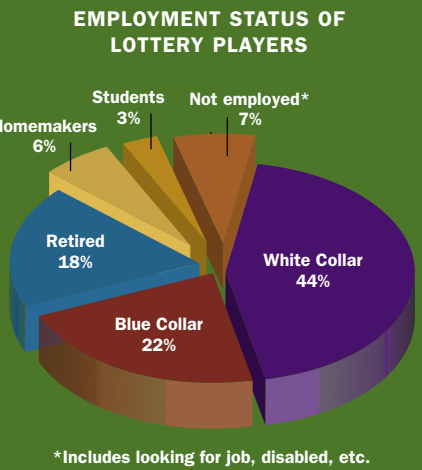
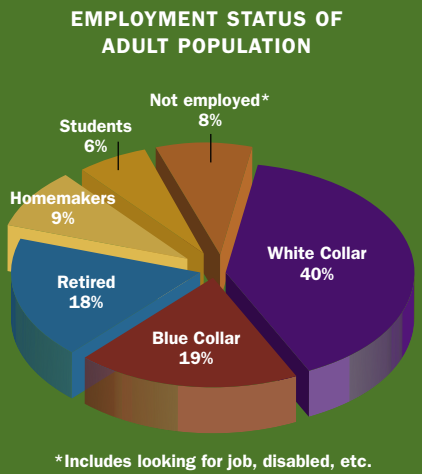


(Left to Right) John Handley, representing California Independent Grocers Association; John Kennedy, representing California Grocers Association; George Safar, representing Lone Hill Liquor; Terry Fujimoto, representing The Winerack; Ann Hall, representing 7-Eleven; Peggy Blomstedt, representing Primm Valley Lotto Store; Steve Telson, representing Circle K; Kris Kingsbury, representing Quik Stop Markets; Pat Dooley, representing 7-Eleven; and Dennis Fanucchi, representing The Bowling Association.

2005-2006 Retailer Advisory Board Members not pictured: Dan Skinner, 7-Eleven; Pamela Williams, California Retailers Association; Auday Arabo, Independent Grocers and Convenience Stores; Jack Ford, Info Place USA; Andre Van Der Valk, Shell Foodmart; Jerry Finazzo, Stater Brothers; Jerry Carucci, John T's Unique Gifts.

DEMOGRAPHICS & FAQ

CALIFORNIA STATE LOTTERY Population and Players



FREQUENTLY ASKED QUESTIONS

HOW IS THE CALIFORNIA STATE LOTTERY FUNDED?

The California State Lottery is funded solely through the sale of lottery tickets and games. The Lottery does not receive taxpayer funds. The Lottery pays prizes, funds operational costs and makes contributions to public education with the proceeds from ticket sales.

WHERE DOES THE MONEY GO?

The California State Lottery implements the public's mandate to provide supplemental funding for public education by maximizing the sale of creative and entertaining lottery products. The Lottery Act specifies that for every dollar earned by the Lottery, at least 34¢ is required to go to public education, 50¢ is to be used for prizes, and no more than 16¢ may be used for retailer commissions, game costs, and Lottery operating expenses. Because of several operating efficiencies, the Lottery's contribution to education regularly exceeds 34¢ per dollar.

HOW MUCH MONEY HAS BEEN RAISED FOR PUBLIC EDUCATION?

For each of the last five years the Lottery has transferred more than \$1 billion dollars to public education. This year the total was \$1.17 billion. To date, the Lottery has raised more than \$17 billion for California's public schools.

HOW MUCH MONEY HAS BEEN PAID OUT TO WINNERS?

Californians have won more than \$28.6 billion in prize money during the 20 years since the beginning of the Lottery.

HOW MANY MILLIONAIRES HAVE BEEN CREATED SINCE THE LOTTERY BEGAN?

In the Lottery's first 20 years, more than 1,800 players have won \$1 million dollars or more playing the games of the California State Lottery.

HOW MUCH DOES THE LOTTERY MAKE IN A YEAR?

This past year, the Lottery set a new record of \$3.33 billion in retail sales. To date, the Lottery has totaled more than \$46 billion in sales.

WHAT IS THE LARGEST SUPERLOTTO PLUS® JACKPOT?

The largest SuperLOTTO Plus® jackpot to date has been \$193 million which was split by three winning players on February 16, 2002.

WHAT IS THE LARGEST MEGA MILLIONS® JACKPOT IN CALIFORNIA?

The single largest MEGA Millions jackpot in California history was \$315 million and was won on November 15, 2005. As of this writing, it was the largest MEGA Millions jackpot since the game was introduced in California in June of 2005.

WHAT PAYMENT OPTIONS DO I HAVE IF I WIN?

The California State Lottery pays out winning SuperLOTTO Plus® jackpot prizes either in 26-graduated annual payments or as a lump sum equal to the cash value of the jackpot prize. MEGA Millions® jackpot winners also have the choice of a cash option or 26 annual payments. Winners of either SuperLOTTO Plus® or MEGA Millions® have up to 60 days to choose their payment option. The winner of a prize of one million dollars or more on *"The Big Spin"* show will receive the prize in 20 equal annual payments.

HOW MANY LOTTERY RETAILERS ARE THERE?

Today, there are more than 18,500 California State Lottery retailers across the state. To find a retailer near you, visit our website at: www.calottery.com.

WHAT HAPPENS TO A LOTTERY PRIZE IF THE WINNER DIES?

If a winner dies before receiving the full amount of the prize, the Lottery continues to pay the prize to the estate of the winner.

DOES THE LOTTERY PAY INDIVIDUAL PRIZES TO GROUP PLAYERS?

Yes. California State Lottery regulations allow for the individual payment to members of a player group who win a Big Spin, SuperLOTTO Plus®, or MEGA Millions® prize, as long as the group consists of 100 or fewer winners. If you are a Lottery group member, you may claim your winnings on a Lottery Multiple Ownership Claim form available at any California State Lottery District Office. The decision to claim your winnings as a group must be made at the time you claim your prize and you must all agree on the payment option.

WHAT HAPPENS TO UNCLAIMED PRIZE MONEY?

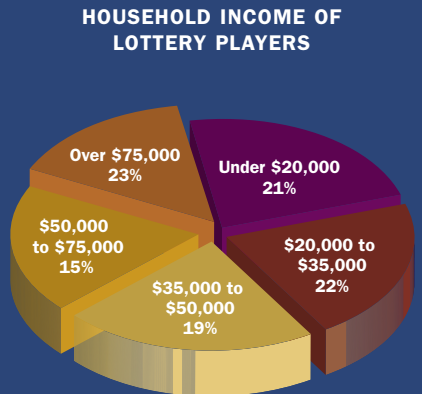
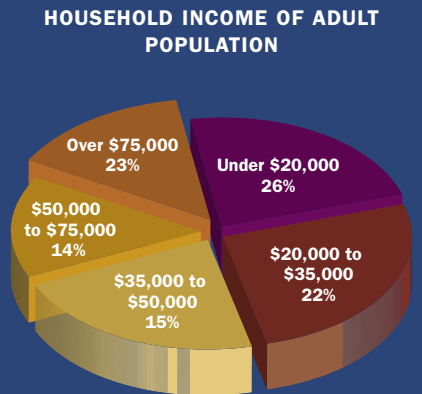
By law, unclaimed prize money goes to the Lottery's beneficiary – public education.



FISCAL YEAR 04/05

\$1.17 billion was transferred to California's public schools — the highest in the California State Lottery's 20-year history.

CALIFORNIA STATE LOTTERY Population and Players



NOTE: All data are from Communications Effectiveness Tracking Study for fiscal year 2004/2005. Percentages based on only those responding.

PARTNERSHIPS



One of the stories featured on KCAL's "Nine on the Town" is of Paul and Rose Briscoe who won \$64.3 million.

WINNING STORIES— TOLD THROUGH PARTNER- SHIP WITH KCAL 9

The California State Lottery (Lottery) in a partnership with KCAL (LA-Channel 9) produced 26 stories about Lottery winners and about the Lottery doing its part to support education. The first of the segments began airing on KCAL's "Nine on the Town" show last summer. (All of the segments are archived on the California State Lottery's website at www.calottery.com.)

Some segments highlight the personal stories of Lottery players whose lives have changed after winning the Lottery. One story is about Paul and Rose Briscoe who won \$64 million. It highlights the couple sharing their winnings with their family and traveling the world. Since the couple's win, they have purchased a beautiful 6,800 square foot home with 5 bedrooms, gym, media room and pool. And, since they love to travel, they've used their prize money to go to Alaska, Tahiti, and Hawaii.

A truly inspiring story is that of Maurice Wiley who won \$1 million on "The Big Spin®" show. "It was the most exciting thing to happen in my life, just the idea of buying a \$1 ticket and winning \$1 million is enough to make anyone want to pass out," said Wiley. His amazing story did not stop there. The segment goes on to describe how in 2003 he was honored with the Lottery's "Heroes in Education" award for the difference he makes in the lives of students. Wiley's impact is the result of partnering with local businesses and creating scholarships and grants for teachers, and establishing the Inglewood Educational Foundation.

Another segment featured the State Superintendent of Public Instruction, Jack O'Connell, as he recognized Durfee Elementary School for their Distinguished Schools Program and Lottery Funds at Work Program. The segment further revealed that in FY 2003/04 revenues from the Lottery came to nearly \$126 per pupil, and helped support more than 8.3 million students in California's public schools. "The California State Lottery was never intended to be the panacea for education; yet, its funding has made a positive difference in the lives of many of California's students," said Jack O'Connell.

The list of topics covered also includes a behind-the-scenes look at "The Big Spin®" show and Myth Busting 101—Things You've Always Wanted to Know About the Lottery.

The California State Lottery is very pleased with the results of the KCAL segments which allow viewers in Los Angeles and on the internet to tune in to some of the less well known but equally important aspects of the Lottery.



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COMMISSIONERS

JOHN MASS, Commission Chair, of Los Angeles, was appointed to the California State Lottery Commission by Governor Schwarzenegger.

He is executive vice president of the William Morris Agency, Inc., where he is responsible for designing and executing entertainment-based marketing solutions and business development strategies. Mr. Mass' appointment was confirmed by the Senate in September 2005.



RACHEL MONTES, Commission Vice Chair, of El Monte, was appointed to the California State Lottery Commission by Governor Schwarzenegger.

Ms. Montes is the former mayor of El Monte, California and has been a businesswoman for 35 years. Ms. Montes' appointment was confirmed by the Senate in March 2005.



LORETTA DOON, of Belmont, was appointed to the California State Lottery Commission by Governor Schwarzenegger. Ms. Doon, CPA, is the current Chief Operating Officer for CalCPA. Previously she was the Associate Executive Director of the California Teachers Association, from 1979 to 2005.

Ms. Doon is a certified public accountant and a member of the Council of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants. Ms. Doon's appointment was confirmed by the Senate in September 2005.



MANUEL ORTEGA, of Yorba Linda, was appointed to the California State Lottery Commission by Governor Schwarzenegger.

He is the Chief of Police for the City of Bell Gardens, where he has worked since 2000. Previously, he worked for the City of Orange Police Department. In addition, he served on the Board of Prison Terms from 1997 to 2000. Chief Ortega's appointment is pending Senate confirmation.



The California State Lottery is governed by a bi-partisan commission appointed by the Governor and confirmed by the State Senate. The Lottery Commission is responsible for implementing the rules and regulations of the Lottery Act and maintaining the operational integrity of the Lottery.



IMPORTANT PHONE NUMBERS

CUSTOMER SERVICE:
800-Lottery

PUBLIC AFFAIRS:
(916) 324-9639

DISTRICT OFFICES:

SAN FRANCISCO:
(650) 875-2200

SACRAMENTO:
(916) 322-5136

EAST BAY:
(510) 670-4630

CENTRAL VALLEY:
(559) 449-2430

VAN NUYS:
(818) 901-5006

RIVERSIDE:
(951) 782-4120

SANTA FE SPRINGS:
(562) 906-6356

SANTA ANA:
(714) 708-0540

SAN DIEGO:
(858) 492-1700

**PROBLEM GAMBLING
HOTLINE:**
1-888-277-3115

PROBLEM GAMBLING

WHAT DOES THE CALIFORNIA STATE LOTTERY DO TO HELP ADDRESS THE ISSUE OF PROBLEM GAMBLING?

The California State Lottery provides an entertaining product to thousands of adults and in order to help support a healthy playership base, the Lottery supports education and awareness of “problem gambling.” Despite the fact that addiction relating to Lottery products affects a minimal number of Lottery players, the well-being of all Lottery players is very important to the Lottery and its Commission. As such the Lottery does the following to address the issue of problem gambling:

- This program helps individuals with gambling problems and their families to find information, counseling and assistance for problem gambling.
- Maintains a help line phone number (1-888-277-3115).
- The line is staffed by credentialed counselors 24/7.
- Counselors mail written literature per request.
- On any given month the line can receives 500–700 calls. Of these calls 20–30 are Lottery gambling related.
- Promotes the annual “National Problem Gambling Awareness Week” (NPGAW).
- Develops and airs TV and radio public service announcements during NPGAW.
- Maintains a presence on the Lottery’s public website promoting NPGAW, providing helpful information, and listing other resources available on this subject.
- For the past two years the California Legislature has recognized the Lottery for its participation in the NPGAW.
- The Lottery posts to its public website helpful information on the warning signs of gambling addiction as well as information on how to help someone address their addiction.
- Additionally, the Lottery produces brochures on problem gambling. It circulates these brochures to all of its more than 18,500 lottery retailers statewide.

For more information on this program contact the California State Lottery’s Public Affairs Office at (916) 324-9639.